

Rental Income and Outlay— in the United States, 1929-52

INFORMATION now becoming available from the 1950 Census of Housing and from a number of special field investigations casts much new light on the operating experience of landlords and of home owners in the United States.

These data permit for the first time a detailed analysis of the structure of the rental market in the framework of the national income and product accounts.

Home ownership and realty rentals enter these accounts at two points. The "space rental value" of housing is an item of personal consumption expenditure and is included in the gross national product; and the net rental income of persons is a distributive share of the national income.

THE net rental income of persons has risen 85 percent since 1929. It has not kept pace with the overall increase in prices and expansion in economic activity between 1929, when it made up 6 percent of the national income, and 1952, when it accounted for 3 percent. Since 1938 it has fluctuated between 3 and 4 percent. It is not yet possible to determine how much of this decline in the importance of the rent share is temporary and how much is relatively permanent. The present low vacancy rates and high construction activity suggest that rents are not yet at the peak of their cycle, and the depressive effect of residential rent controls also obscures the meaning of comparisons between 1952 and 1929.

Net rental income of persons is the income share which accrues from direct personal ownership of real estate, patents and copyrights. Individuals own a very substantial part, perhaps more than three-fifths, of all rental realty in the United States; the net rent share covers the income from these holdings. In addition, it includes allowances for the net return from home ownership and from royalty rights owned by persons (table 1). Owner-occupied nonfarm homes account currently for 42 percent of the total; rented nonfarm homes, for 20 percent; farm property, for 13 percent; and royalty rights and business and industrial real estate, for 25 percent.

Operating experience

The response of both dwelling and nondwelling gross rentals to changes in the overall level of business activity has generally been delayed by the prevalence of comparatively long-term rent agreements and, on the upturn, by the existence of a backlog of vacancies. The results are apparent in the movements shown in the upper curve of the chart for 1929-32 and 1937-38, when gross rentals rose as a percentage of national income, as well as in the declining percentages indicated for the recovery years of 1933-36 and 1939-42. Rents have increased faster than the national income in the postwar period of low vacancy rates and

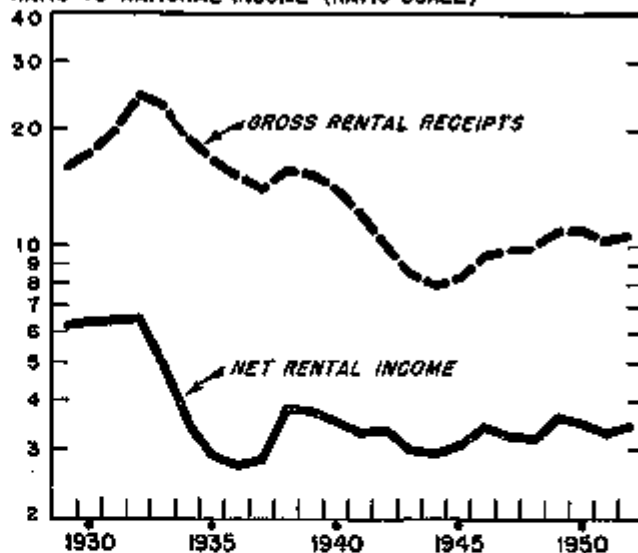
expanded construction activity. The special factor of residential rent control has limited their rise during the past decade.

Landlords' expenses, largely fixed by advance commitments, have followed a similar course. Net rents have accordingly shown a delayed response to major changes in general business activity, being relatively depressed in 1933-37 and rising less rapidly from 1938 to 1944 than did the national income total. They have been comparatively little affected by short-period fluctuations, and consequently have risen as a percentage of national income in such years as 1938, 1946, and 1949.

The net return from all real property held for use or lease by business enterprises is included in other income shares—corporate profits and net income of unincorporated enterprises. Personal landlords' operations differ from those of real estate businesses in several respects. Personal holdings

Net rent is a smaller share of the national income than before the depression

RATIO TO NATIONAL INCOME (RATIO SCALE)



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of real estate are heavily concentrated in residential property, whereas nonresidential realty has a larger weight in the holdings of business enterprises. Furthermore, the level and pattern of expenses incurred by personal investors differ greatly from those of business enterprise lessors. Available data suggest that the net rental income of the latter has

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varied much more widely since 1929 than has the net rental income of persons.

Housing

The total space rental value of nonfarm homes has increased greatly in the past two decades, and its rise has been especially rapid in the postwar years. The estimate for 1952 is more than twice the 1929 figure. However, total consumer expenditures have nearly tripled since 1929. Statistics (see chart) therefore bear out the common observation that until recently shelter cost has been declining as a percentage of the household budget.

Table 1.—Net Rental Income of Persons, by Type of Property, 1929-52

(Values in billions of dollars)

	Total		From rental housing	From owner-occupied homes	From farms	From other property
	Amount	Percent of national income				
1929.....	5.42	6.2	1.19	2.46	0.48	1.30
1930.....	4.78	6.4	1.11	2.19	.31	1.26
1931.....	3.70	6.4	.86	1.80	.12	.89
1932.....	2.71	6.6	.80	1.33	.04	.60
1933.....	1.67	6.0	.43	.82	.14	.46
1934.....	1.00	3.5	.20	.71	.21	.29
1935.....	1.06	2.9	.20	.71	.30	.45
1936.....	1.78	2.7	.34	.80	.34	.50
1937.....	2.08	2.6	.36	.97	.33	.61
1938.....	2.54	3.6	.54	1.16	.30	.66
1939.....	2.74	4.3	.55	1.20	.34	.69
1940.....	3.88	2.6	.55	1.30	.35	.99
1941.....	3.40	2.3	.60	1.22	.57	.71
1942.....	4.55	2.3	.67	1.97	.83	.88
1943.....	5.10	2.0	1.04	2.17	.94	.93
1944.....	5.41	2.9	1.00	2.45	.96	.91
1945.....	6.03	3.1	1.08	2.58	1.02	1.00
1946.....	6.21	3.4	1.14	2.33	1.33	1.41
1947.....	6.81	3.3	1.24	2.14	1.37	1.70
1948.....	7.20	3.2	1.61	2.44	1.27	1.98
1949.....	7.87	3.0	1.74	2.98	1.03	2.14
1950.....	8.47	3.6	1.80	2.38	1.29	2.20
1951.....	9.00	3.3	1.83	2.72	1.31	2.34
1952.....	10.04	3.6	2.02	4.25	1.37	2.40

Source: U. S. Department of Commerce, Office of Business Economics.

The space rental value of housing is a measure of the shelter provided by owner-occupied and rented homes. It does not include the value of facility and utility services—furniture, heat, water, etc.—such as landlords sometimes provide and pay for out of their rentals.

Rental Housing

Total space rent for rented nonfarm dwellings has varied from \$4.4 billion in 1929 downward to \$3.1 billion in 1934-35 and up to \$8.0 billion in 1952.¹ As shown in table 2, page 20, space rent recovered slowly from the depression of the nineteen-thirties and was stable or declining in the war period. Despite a comparatively rapid advance since 1947, therefore, as a percentage of total personal consumption expenditures it is still well below 1929 and only about half what it was in 1932.

These changes in the percentage have been due in considerable part to the lag of rental rates behind the general average of consumer prices, in the depression as well as during the period of rent control. Also important for the period since 1940, however, has been the shift away from renting to owner-occupancy of homes, as reflected in the total number of dwelling units rented.

1. The statistics on space rent given below apply to nonfarm dwellings only. They include the rental value of nonfarm living accommodations provided free, as by employers. The rental value of farm homes, transient hotels and tourist cabins, and quarters in clubs, schools, and institutions is also part of personal consumption expenditure for housing, but is not considered in this connection in the present report.

The average nonfarm renter household paid about \$430, or \$35 a month, for shelter in 1952, more than half again as much as in 1945. The average was only 22 percent above 1929, however, whereas the general average of all consumer prices in 1952 was 55 percent above 1929 (see chart on p. 20).

Changes in the number of rented dwellings have come about in several ways. The long-run trend is upward: demand has increased with the formation of new households as population has grown; and the supply has expanded through new construction as well as through the conversion of individual structures to provide homes for more tenants. Marked fluctuations around the trend have occurred, however, as families have shifted between owner and renter status.

It appears from census reports that about one-third of the stock of rental housing is in one-family structures, which are about equally well adapted to owner-occupancy. Many such houses became available for rent during the depression years of the nineteen-thirties, their former owner-occupants moving to rented quarters as a matter of financial necessity. A substantial number of inexpensive new rental dwellings were also made available by conversion of existing structures to accommodate more families. The total number of rented nonfarm homes thus increased steadily during the depression period. It continued to rise thereafter, with new construction adding to the supply and new family formation to the demand, until the war.

During the war years, expanding consumer incomes permitted a reversal of the tenure shift which had occurred during the depression. Many houses which had been rented were sold for owner-occupancy. The total number of rented dwellings accordingly declined nearly 1.3 million between 1942 and 1946.

This drop occurred because purchasers for owner-occupancy were outbidding prospective renters. Personal income was high and rising, housing was in short supply and new construction was restricted by materials shortages. Under these conditions, the limited stock of existing one-family detached houses apparently more than doubled in market value between 1940 and 1947. Rental rates for existing units, naturally less volatile and further stabilized by controls, increased less than 10 percent in the same period.²

Between 1946 and 1950, the number of rented nonfarm dwellings resumed the upward trend halted by the war. The shift to owner-occupancy tapered off, and the supply of new rental units expanded as construction revived and conversions were stimulated by decontrol. In spite of these additions to the rental stock, however, nonseasonal vacancies available for rent were scarcely more numerous in 1950 than in 1945. Data for 1951 and 1952 are rather fragmentary, but suggest that the number of rented dwellings has continued to rise moderately and that vacancy rates have continued low.

Incidental services

The changes in contract rent have approximately paralleled those described above for space rent. The latter declined a little more sharply in the 1930's, since the cost of shelter fell more than the cost of facilities and utilities, and rose a little less in 1940-45, when the inclusion of incidental services in contract rent became more prevalent.

Of the facility and utility services provided by landlords, the most important in aggregate value are heat, furniture and furnishings, and water. These three together account for nearly two-thirds of the estimated total. Other such costs

2. The comparison is made between 1946 and 1947 because these are the nearest years in 1942 and 1948 for which index values of the price of houses are available. See the *Housing Statistics—The Federal Background*, published by the Housing and Home Finance Agency in June 1949, for the price comparison. The change in rental rates is as measured by the rent component of the Bureau of Labor Statistics consumer price index.

include electricity, refrigerators, cookstoves and gas for cooking.³

In 1940 these facility and utility charges amounted to less than 18 percent of contract rent. By 1945 they had risen to nearly 20 percent of rent. Since that time, their ratio to rent has not changed much. During the postwar period their dollar increase has been due largely to rising prices, whereas the 1940-45 advance reflected the apparent increase in the proportion of tenancy agreements providing for incidental services in addition to shelter.

There were several reasons for the latter development. Perhaps the most obvious is the increased proportion of multifamily units in the total rental stock. One-family detached houses are commonly rented unfurnished and with utility costs to be paid by the tenant; apartments, by contrast, are often rented with heat, light, water, cookstove, and sometimes other equipment provided by the landlord. Most

decline in vacancy expense, as interest charges were sharply reduced while taxes and miscellaneous costs rose. Since 1945 there has been a substantial increase in the average per dwelling for almost every cost item.

Over the period since 1929, changes in the size and pattern of costs per dwelling suggest a close connection with long-term fluctuations in building activity. After the peak in the 1920's, equities were relatively small and the interest burden correspondingly heavy, while depreciation and taxes as well as debt reflected the comparatively high prices at which much of the outstanding investment in housing had been made. Even under heavy economic pressure, these major elements in the cost structure could not be reduced quickly.

However, despite the wave of new building which has occurred in recent years, the current pattern of landlords' fixed expenses still differs markedly from that of 1929. Interest last year took only 9 cents per dollar of space rent as compared to 19 cents in 1929; rents having increased, depreciation as measured here took only 12 cents as against 15 cents in 1929.⁴

Since expenses on vacant units must be paid out of revenue from units occupied, the cost averages per rented unit cited in this report include allocated portions of such vacancy expense. The total expense so allocated moved from \$27 per rented unit in 1931 down to \$14 in 1941, or from 9 cents to 5 cents per dollar of space rent. It was about \$16 per unit or 4 cents per dollar of rent last year, the effect of high prices on it being partly offset by the low vacancy rate and relatively small outlays by landlords for maintenance.

The average annual tax bill on nonfarm rental housing is estimated to have been about \$60 per rented unit at the end of the war and about \$90 last year. The 1952 tax total of \$1.7 billion took approximately 17 cents per dollar of contract rent, a fraction which has not varied much since 1929 except for a temporary rise in the 1930's. Underlying these averages are wide differences among individual properties and localities, due largely to differences in rental values and in local fiscal systems.

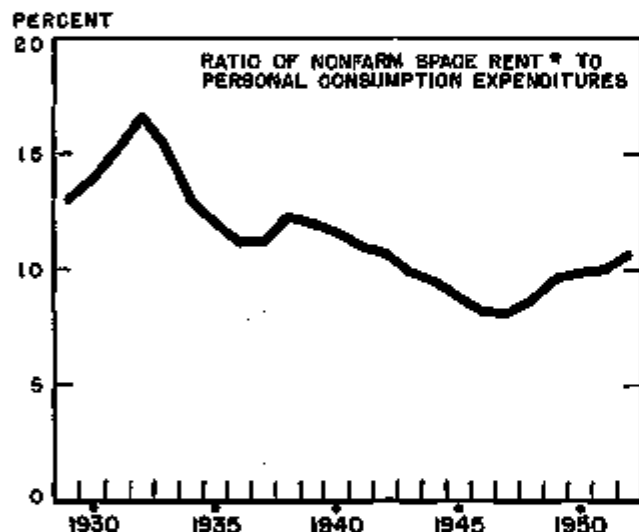
Expenditure for maintenance and repair of rental housing in 1952 is estimated at about \$1.3 billion. This represents an average of \$67 per rented dwelling unit, or about 13 cents per dollar of contract rent. The wartime average was less than \$40 per unit, but the indicated postwar increase seems to have been largely a reflection of price advances. A crude adjustment for price change suggests that in real terms the 1952 average per unit may have been around 10 percent above 1945.

Total depreciation on nonfarm rental housing in 1952 is estimated at about \$1 billion, or \$52 per rented dwelling. The calculation is based on historical construction cost, rather than on replacement cost or on investment by current owners, and assumes an average useful life of a little under fifty years. Computed in this way, the average cost per rented unit has not fluctuated much since 1929, except for a temporary decrease during the war as low-cost dwellings were added to the rental stock by conversion.

The 1952 figure of \$0.7 billion shown in table 3 for interest cost on nonfarm rental housing represents an average of \$40 per rented dwelling unit, or about 7 cents per dollar of contract rent. Average debt outstanding during the year is estimated at \$16.8 billion, bearing a mean rate of about 4½ percent.

Debt per rented unit declined slowly from 1929 until 1939, and dropped more rapidly during the war. It did not begin to increase again until 1947, and last year was still nearly 20

The ratio of shelter cost to total consumer expenditures has risen since the war, but is still lower than in the nineteen-thirties



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of the dwellings which entered the rental market during the war were apparently in multifamily structures, and most of the dwellings withdrawn for owner occupancy seem to have been in one-family houses.

Costs

The cost of providing these incidental services in 1952 was about one-fourth of the total expense incurred by rental housing landlords. The remaining three-fourths are detailed in table 3, page 21. They consist chiefly of contractual and other fixed charges—taxes, depreciation, interest, and insurance.

Total basic costs to landlords declined from 1941 through 1945, but have been rising steeply since 1946 and stood last year nearly 60 percent above the prewar peak. The average per dwelling unit was stable during the war, apart from a

3. Estimates of the cost to landlords for the use of the consumer durables mentioned are calculated on an accrual basis, to represent upkeep plus amortization of the original cost of the current stock, since it is assumed that they affect contract rent in this form.

4. The estimates for a number of the individual expense items considered below, as well as those for utility costs included in rent, are based in part on preliminary tabulations from new studies by the Bureau of the Census and the Bureau of Labor Statistics. Two investigations particularly important in this connection are the Survey of Residential Financing made as part of the 1950 decennial Census and the Survey of Consumer Expenditures conducted a year later by the Bureau of Labor Statistics in 51 cities and towns throughout the country.

percent below 1929. The average rate of interest paid rose slightly between 1929 and 1933. Since 1933 the rate has drifted downward, as old obligations were refinanced, and debt on new construction incurred at the lower prevailing rates came to account for a significant part of the total. This decline seems to have continued through the 1940's.

Miscellaneous expenses shown in table 3 amounted last year to slightly under \$1 billion, or an average of about \$50 per rented dwelling, and took about 10 cents of the contract rent dollar. Among the principal items included in this category are insurance, service payrolls, and legal and administrative costs.

Net rent

The estimates of landlords' net return from rental housing are derived by subtracting all the foregoing expenses from contract rent. The averages for rent and for the various individual items of expense have generally been checked with collateral source materials. Moreover, for the most part the expense items are estimated independently of each other so that any under- or over-statements in them are likely to be mutually offsetting. Finally, most of the individual series are comparatively stable by nature, so that errors in evaluating their short-run movements should be small. Nevertheless, no estimate derived as a relatively small difference between two large totals known to be inexact can itself be regarded as anything more than a very rough approximation, and estimates of landlords' net return must be considered in this light.

Table 2.—Rental Housing: Operating Experience, 1929-52

(Value totals in billions of dollars)

	Average number of rented dwellings (thousands)	Contract rent	Facility and utility costs to landlords	Space rent		Other costs to landlords ¹	Net rent	
				Total	Average per dwelling (dollars)		Total	To persons ²
1929.....	12,806	4.88	0.40	4.30	331	3.28	1.13	1.19
1930.....	12,914	4.78	.48	4.30	333	3.34	.86	1.11
1931.....	12,293	4.59	.45	4.13	310	3.62	.89	.95
1932.....	13,673	4.30	.45	3.85	271	6.14	.64	.69
1933.....	12,536	3.75	.22	3.53	235	2.97	.26	.43
1934.....	14,241	3.06	.06	3.06	210	2.09	.00	.20
1935.....	14,819	3.74	.02	3.72	213	3.05	.00	.20
1936.....	14,970	3.93	.05	3.88	219	3.14	.14	.24
1937.....	15,332	4.23	.07	4.16	231	3.24	.30	.30
1938.....	16,093	4.40	.08	4.32	240	3.26	.51	.54
1939.....	16,196	4.03	.73	3.30	242	3.84	.53	.56
1940.....	16,498	4.30	.75	3.55	245	3.51	.64	.66
1941.....	16,872	5.12	.80	4.32	250	3.02	.70	.60
1942.....	17,006	5.43	.88	4.55	267	3.62	1.04	.97
1943.....	17,007	5.54	.98	4.56	268	3.40	1.10	1.01
1944.....	16,044	5.50	1.03	4.47	273	3.30	1.23	1.00
1945.....	16,071	5.43	1.04	4.37	272	3.10	1.22	1.03
1946.....	16,745	5.40	1.04	4.34	258	3.22	1.32	1.14
1947.....	16,961	6.10	1.20	4.90	296	3.44	1.45	1.24
1948.....	16,881	6.89	1.37	5.52	323	3.30	1.72	1.51
1949.....	17,225	7.06	1.47	5.59	328	4.22	1.86	1.74
1950.....	17,040	8.40	1.68	6.72	350	4.74	2.00	1.92
1951.....	18,428	9.18	1.84	7.34	398	5.10	2.15	1.83
1952.....	18,943	9.68	1.94	7.74	427	5.00	2.30	2.02

1. Including units held for absent households.
2. Including costs incurred on vacant rental units.

Source: U. S. Department of Commerce, Office of Business Economics.

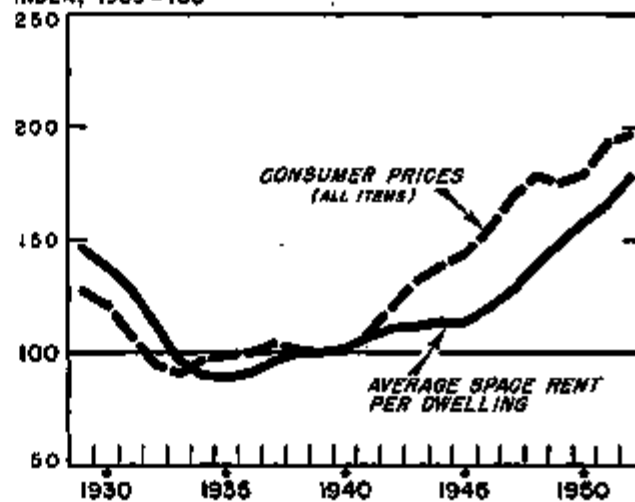
Net rent per rented dwelling last year is estimated at \$125, or 24 cents per dollar of contract rent. The average per unit had about doubled over the previous decade, having increased moderately during the war period and sharply from 1947 to 1949. In cents per dollar of contract rent, net return last year was still only slightly above 1929.

Personal landlords

Of the total net return of \$2.4 billion derived from rental housing in 1952, about \$2.0 billion is estimated to have gone to persons and the rest to business enterprises. Most of the stock of rental housing is in small or medium-sized structures—which are typically acquired in the first instance for owner-occupancy; and even larger properties, up to 20 dwelling units or more, are held in many cases as personal investments. About three-fourths of all rental units are in buildings housing 1 to 4 families, nearly one-third being in 1-family detached houses.

Rental rates declined more after 1929, and have recovered less, than other consumer prices

INDEX, 1929 = 100



Personal landlords seem to have fared better than non-personal landlords during most of the period covered by table 2. Statistics for real-estate corporations suggest that these enterprises as a group entered the depression holding many high-priced, heavily mortgaged properties equipped to provide tenants with facility and utility services. In these cases there was little or no margin of safety: when contract rental income fell even moderately below expectations, net deficits appeared. Expenses on personal holdings of rental real estate—particularly interest—were smaller in relation to contract rent, so that the decline in gross income reduced the net return on these but did not wipe it out. The relative cost position of business landlords is currently far better than in most of the earlier years covered by the present study.

Home Ownership

Whether a given dwelling is owner-occupied or rented, it provides the same shelter, and in either case the same allowances should be made for its rental value in measuring the national income and product. This aspect of ownership is analyzed in table 4, page 22. Space rental value is imputed at the rental-market price of the shelter provided, and the basic costs of home ownership are deducted to determine net rental value.

In the nature of the case, these imputed values can only be regarded as more or less reasonable allowances made in the national income statistics for the value of services which

are known to exist but do not lend themselves to exact measurement.⁵

The aggregate rental value of owner-occupied homes has increased in every year since 1934-35, and passed its 1929 peak in 1944. Its recovery was considerably less rapid than that of rental housing until 1942, but much sharper thereafter. Part of this rise was due to the recovery of rental rates. Much of it was due to the increase in the number of owned homes, which was gradual before the war and accelerated thereafter.

From 1930 to 1933 home ownership actually declined in the United States. It then turned upward, and rose at an accelerating pace through the recovery and war years as incomes expanded, credit conditions eased, and liquid assets accumulated in the hands of consumers. The shortage of rental housing was a major factor in the wartime increase. Since 1945 the rate of rise has gradually lessened.

Costs

Nonfarm homeowners paid an estimated \$3 billion in real estate taxes on their homes last year, an average of \$137 per occupied dwelling. The average declined irregularly from about \$90 in 1929 and the early depression years to \$70 in 1942. It was stable during the war period, and since has been rising sharply with the increase in property values.

Taxes on owned nonfarm homes now make up more than one-third of all State and local property taxes on homes, farms, and other realty. In 1946 they accounted for about one-fourth of the total; and in 1941 for about one-fifth.

Maintenance and repair outlays by homeowners last year amounted to a total of around \$2.7 billion, or \$123 per occupied dwelling, according to estimates based on recent sample surveys.⁶ The average has declined somewhat since 1948, when it reached nearly \$140 as needs accumulated during the war years were met at rising prices. Its subsequent decrease reflects in part the addition of many newly built units requiring little expenditure for this purpose.

Average maintenance and repair outlays by homeowners in the postwar period have been well over twice as high as in any war or prewar year covered by table 4. Much of the rise is undoubtedly due to price increases, although the effects of these cannot be satisfactorily measured with the existing data. It is safe to say, however, that even in real terms the average per owner-occupied dwelling since 1946 has been higher than in 1929.

The estimates for depreciation represent an allowance amounting to about two percent of actual construction cost. On this basis, total depreciation on owned homes last year is estimated at \$2 billion, or just over \$90 per occupied dwelling unit. The average has risen sharply since the war, as new homes built at comparatively high cost have been added to the housing stock. Previously it had shown little change from the 1929 figure of about \$70; in 1947 it was still only \$72.

The significance of these averages from the standpoint of the individual homeowner is limited in two respects. First, such a homeowner must calculate depreciation on the amount he himself has invested (including any mortgage loan funds used to buy or improve the property). In a period of rising prices and much turnover of real estate, investment may be well above construction cost, and aggregate depreciation from the owners' viewpoint will then be considerably higher

than the estimates presented here. Secondly, house prices fluctuate widely, so that the depreciation cost incurred by any individual homeowner may be offset to some extent by a capital gain in monetary and even in real terms.

Interest charges on owned nonfarm homes amounted to about \$2.1 billion last year, or \$96 per occupied dwelling. This average was about 75 percent above the wartime figure, the increase having been largely due to the wave of credit-financed home buying at rising prices after 1947. It compares with a 1929-31 average of about \$90.

Homeowners' mortgage debt dropped nearly one-fourth between 1929 and 1938. It then turned upward, rising more and more rapidly with the increase in the number of owned homes, so that by the end of the war a 40 percent expansion had carried it well above 1929. After the war its growth was further accelerated as new houses came on the market, and the 1952 figure was nearly three times that of 1945.

The average interest rate on such debt, which had stood above 6 percent until nearly the end of the 1930's, declined considerably thereafter. By the end of the war it is estimated to have reached 5 percent. In the postwar period it

Table 3.—Rental Housing: Basic Costs to Landlords, 1929-52¹

(Billions of dollars)						
Year	Total	Taxes	Maintenance and repair	Depreciation	Interest	Insurance and miscellaneous
1929.....	3.29	0.94	0.67	0.54	0.82	0.30
1930.....	3.34	.90	.61	.57	.80	.30
1931.....	3.32	.90	.63	.56	.87	.33
1932.....	3.14	.87	.62	.70	.84	.30
1933.....	2.97	.77	.61	.70	.79	.30
1934.....	3.06	.78	.67	.71	.74	.29
1935.....	3.00	.84	.69	.71	.71	.30
1936.....	3.14	.80	.61	.72	.89	.31
1937.....	3.24	.83	.67	.78	.98	.32
1938.....	3.20	.87	.82	.77	.87	.33
1939.....	3.34	.87	.98	.80	.86	.34
1940.....	3.51	.92	.74	.88	.97	.35
1941.....	3.62	.98	.70	.86	.98	.37
1942.....	3.32	.91	.70	.86	.94	.36
1943.....	3.49	.96	.99	.84	.90	.40
1944.....	3.90	.97	.93	.90	.99	.41
1945.....	3.15	.90	.90	.75	.82	.42
1946.....	3.28	.97	.93	.72	.88	.43
1947.....	3.44	1.04	.98	.73	.98	.49
1948.....	3.80	1.15	.78	.77	.95	.46
1949.....	4.22	1.28	.91	.82	.91	.49
1950.....	4.74	1.30	1.06	.86	.90	.54
1951.....	4.19	1.54	1.14	.84	.88	.59
1952.....	4.06	1.68	1.27	.88	.76	.59

1. Including the costs incurred on rental vacancies, but excluding the facility and utility costs shown in table 2.

Source: U. S. Department of Commerce, Office of Business Economics.

fell somewhat further, reflecting the expansion of home loan credit at 4 to 4½ percent under government guarantee. For the past four years, it has been comparatively stable at about 4.7 percent, with a very slight increase apparent in 1952.⁷

Insurance, legal, and miscellaneous costs of home ownership last year are estimated at \$0.7 billion, or \$32 per owner-occupied dwelling. About two-thirds of this represents hazard insurance. Legal and other expenses in connection with the sale of property are also allowed for here, and are partly responsible for the rapid increase in the average, which has doubled since 1945. A downward trend in insurance costs before the war, and a subsequent sharp upturn in these which has stemmed partly from appreciation of property

5. Statistically, the estimates of average space rental value are based on owners' appraisals at the 1940 Census of Housing and on the year-to-year movement of average rents actually charged for rental housing. Adjustments are made to allow for the somewhat different movement of urban as compared to rural rents, and for certain types of change in the composition by rent level of the owner-occupied as compared to the rental stock.

No adjustment has been made for the increase after 1940 in the proportion of rental agreements providing for incidental services. The available evidence suggests that the advance in overall average contract rent associated with this increase was very nearly matched by an advance in the space rental value of rented one-family houses.

6. The distinction between maintenance and repair outlays on the one hand and investment in additions and alterations, on the other, is difficult to make in practice. Estimates of either therefore vary according to the convention adopted in drawing the line between them.

7. A good deal of new information on residential mortgage debt and interest is expected to become available this summer from the 1950 Census of Housing, Volume IV, Residential Financing. The Annual Reports of the Federal Housing Administration provide valuable analytical material as to the burden of fixed payments.

values, are the other major factors which have determined the variation in miscellaneous costs since 1929.

Net rental income

Net rental income from nonfarm home ownership amounted last year to \$4.3 billion, an average of \$193 per occupied dwelling or about 30 cents per dollar of space rental value. These averages are considerably lower than those for 1929, reflecting increased taxes, depreciation, and maintenance outlays. The net rent per dwelling dropped about 70 percent between 1929 and 1935. The subsequent recovery was correspondingly rapid until 1946, when it was checked by the sharp rise in expenditures for maintenance and repairs. It should be noted that an alternative accounting treatment would allocate the cost of this postwar wave of repair outlays back to the war years during which the need for repairs was developing; by this treatment imputed net rent would not show the postwar dip indicated in table 4. In 1948 the net rent per unit resumed its upward trend, and the 1952 figure was the highest in more than twenty years.

Table 4.—Home Ownership: Operating Expenses, 1929-52

(Values in billions of dollars)

	Average number of homes (thousands) ¹	Space rental value	Shelter Costs						Net rental value
			Total	Taxes	Maintenance and repair	Interest	Depreciation	Insurance and miscellaneous	
1929.....	10,804	8.37	3.41	0.90	0.55	0.97	0.72	0.29	2.40
1930.....	10,818	8.55	3.38	.99	.50	.87	.74	.19	2.10
1931.....	10,802	8.10	3.31	.92	.43	.90	.75	.19	1.80
1932.....	10,838	8.42	3.10	.93	.33	.90	.74	.18	1.32
1933.....	10,883	8.34	2.82	.84	.33	.85	.75	.17	.92
1934.....	10,879	8.04	2.05	.84	.38	.80	.77	.16	.71
1935.....	10,891	8.05	2.84	.85	.30	.77	.77	.15	.71
1936.....	10,803	8.36	2.80	.84	.45	.73	.76	.15	.80
1937.....	10,973	8.66	3.58	.84	.49	.71	.76	.15	.97
1938.....	11,167	8.10	2.83	.80	.46	.69	.70	.10	1.16
1939.....	11,377	8.18	2.82	.83	.48	.60	.60	.10	1.56
1940.....	11,680	8.31	3.01	.80	.52	.63	.63	.10	1.30
1941.....	12,215	8.71	3.10	.87	.60	.69	.66	.17	1.62
1942.....	12,902	8.10	3.32	.91	.68	.74	.64	.15	1.87
1943.....	13,708	8.60	3.41	.97	.62	.78	.67	.20	2.17
1944.....	14,631	8.04	3.61	1.03	.63	.79	1.04	.23	2.45
1945.....	14,722	8.40	3.81	1.30	.61	.84	1.11	.25	2.55
1946.....	14,870	7.34	4.01	1.21	1.34	.94	1.19	.33	2.33
1947.....	15,809	8.47	4.23	1.42	2.10	1.60	1.25	.38	2.14
1948.....	16,770	9.78	7.34	1.97	3.67	1.26	1.30	.43	3.44
1949.....	16,717	10.80	7.80	2.01	2.55	1.44	1.61	.48	2.96
1950.....	20,582	12.20	8.62	2.27	2.67	1.64	1.60	.68	3.38
1951.....	21,375	13.43	9.72	2.55	2.70	1.90	1.84	.63	3.72
1952.....	22,026	14.62	10.68	3.01	2.72	2.12	2.02	.70	4.26

1. Including vacation and other dwellings reserved for the owners' occasional use. Farm homes are excluded.

Source: U. S. Department of Commerce, Office of Business Economics.

The net return per owner-occupied dwelling has generally been higher than the average for rental housing. The difference reflects the higher average value of owner-type houses, the lower cost of management, and the personal care and effort expended by homeowners on their property.² In the current period, these factors are partly offset by the heavier interest burden and greater maintenance outlays of owners.

2. As treated in the present study, owner vacancy expense is relatively low as well, since a house acquired for owner-occupancy and subsequently offered for rent is here considered as part of the rental stock and costs on it are no longer charged to home ownership.

Farm Real Estate

About one-third of all farm rents go to landlords living on farms, and the net returns are included with net income of farm proprietors. Since holdings of farm property by nonfarm business are small in the aggregate, most of the remaining two-thirds goes to individual investors—including many retired farmers—and becomes part of the net rental income of persons.

Total rents on farm property have shown a stronger upturn since 1929 than the nonfarm rent totals discussed above. This trend reflects the great improvement in the farm income situation.

Landlords' expenses on agricultural real estate have generally been a smaller proportion of rental receipts than are expenses on nonfarm rental realty. The chief items are taxes and upkeep of buildings; these together account for well over half of total expense.

Rent paid

Total rents on farm real estate last year are tentatively estimated by the Department of Agriculture at about \$3.5 billion.³ This is more than double the 1929 figure, and about five times the lowest value reached in the depression.

The farm rent aggregate is made up of four components. Crop share rent is by far the most important, accounting for three-fourths of the total. Livestock share rent is now about 8 percent of the total. Leases providing for rent to be paid in cash account for around 15 percent. Government payments to landlords, paid in recent years largely for soil conservation practices, made up about one-eighth of the total at the peak of their importance in 1939 and 1940 but are now relatively negligible.

Since most farm rents are paid under leases providing for a sharing of the product, the total is closely related to cash receipts from farm marketings (table 5). The relationship largely explains the greater volatility and stronger upward trend of farm rents as compared to nonfarm rents over the past two decades. However, aggregate rents have advanced considerably less since 1940 than have total receipts from marketings, as rental tenure of farmland has declined during this period of prosperity.

Landlords' expenses

Although total expenses have nearly doubled since the war, they took only about two-fifths of landlords' gross income from farm leases last year.

Depreciation, combined with maintenance and repair cost in the accounting treatment used by the Department of Agriculture, is currently the largest single item of landlords' expense, with taxes ranking second. The fluctuations of these costs are indicated fairly well by the published totals for all farms, though the latter do not reflect the declining trend of farm tenancy.

Farm taxes have increased in almost every year since 1940, about doubling in a decade, with the rising costs of local government. They had dropped one-third between 1929 and 1934, and recorded no sharp advance thereafter until near the end of the war.

Depreciation and maintenance costs have also increased rapidly in the postwar period, as prices have risen and farm prosperity has stimulated new investment in depreciable farm assets. Farm depreciation is calculated as a percentage of replacement cost value rather than as a percentage

3. Except for the allocation of net rents between persons and other landlords not living on farms, all the farm rent estimates used in the national income statistics are prepared by the Department of Agriculture, Bureau of Agricultural Economics.

of book value or actual construction cost, and is therefore responsive to changes in current construction costs. Maintenance cost of farm buildings is estimated on the basis of requirements rather than actual current expenditures, and the series consequently does not reflect changes in maintenance policy.

Other costs vary in nature according to the terms of the individual lease arrangements. In total, they include considerable amounts for fertilizer and lime, feed and seed, and other production expenses shared by landlords.¹⁰ Aggregate annual farm production expense for fertilizer and lime has more than tripled since 1929, with the sharpest increase coming after 1944. Total outlays for feed and seed have shown even greater increases.

Net rental income

Net rent from farm property has been the most volatile component of the net rental income of persons, ranging from

Table 5.—Total and Net Farm Rents, 1929-52

(Values in billions of dollars)

	Total rent paid on farm property		Landlords' expenses	Net rents	
	Amount	Ratio to cash receipts from farm marketings		Total	To persons (net on farms)
1929	1.42	0.14	0.82	0.80	0.48
1930	1.33	.15	.79	.82	.51
1931	.91	.14	.70	.51	.31
1932	.97	.14	.60	.67	.44
1933	.79	.15	.65	.24	.14
1934	.64	.15	.66	.10	.21
1935	1.10	.15	.85	.85	.30
1936	1.19	.14	.88	.93	.36
1937	1.22	.14	.80	.93	.39
1938	1.48	.14	.88	.88	.50
1939	1.17	.15	.86	.92	.34
1940	1.31	.15	.86	.94	.35
1941	1.57	.14	.85	1.02	.57
1942	2.01	.13	.88	1.43	.84
1943	2.34	.12	.86	1.68	.96
1944	2.39	.11	.88	1.81	.99
1945	2.38	.11	.74	1.63	1.02
1946	2.00	.12	.82	1.37	1.39
1947	3.13	.11	1.01	2.12	1.87
1948	3.12	.10	1.13	1.95	1.37
1949	2.79	.10	1.17	1.61	1.09
1950	2.09	.10	1.51	1.71	1.69
1951	2.39	.10	1.40	1.90	1.31
1952	2.48	.10	1.40	1.90	1.37

Sources: U. S. Department of Commerce, Office of Business Economics, and Department of Agriculture, Bureau of Agricultural Economics.

less than \$50 million in 1932 to nearly \$1.4 billion in 1947. Its instability results from the combination of highly variable gross receipts and relatively fixed expenses, and would be even greater but for the steadying effect of a net-gross ratio which has generally been high. The ratio stood at approximately 50 percent in 1929 and again in 1935-40. It was about 70 percent during the war, and drifted downward after 1946 to a little under 60 percent in the later postwar years.

According to the Department of Agriculture the net return on the value of rented farm realty has varied from less than 3 percent in the depression year 1933 up to nearly 10 percent in the late 1940's. It is now approximately 6 percent.

10. For all landlords combined, mortgage interest is a comparatively minor item, since a large part of the rented farm realty is owned by retired farmers and others who have held it long enough to build up very substantial equities.

Nonfarm Nonresidential Rents and Royalties

Apart from farm and dwelling rents, the net rental income of persons last year included an estimated \$2.5 billion from industrial and commercial properties and royalty rights. Of this amount, nearly three-fourths was earned in the form of rent.

Total rents paid by nonfarm business enterprises in 1951 were over \$7 billion, according to preliminary estimates. This figure is about double the 1941 total and half again as much as in 1929 (table 6).

Business rent payments declined more sharply than did dwelling rents from 1929 to 1933, dropping about 40 percent in 4 years. Their recovery from the depression low point to 1941 also compared unfavorably with that of housing rents. During the war years, however, they rose considerably more than did total residential rent, and their percentage increase in the postwar period has been about as large as for housing. These gains have not yet restored business-property leaseholds to the relative position they held in 1929. In that year, business enterprises paid 96 cents in rent for every dollar paid by tenants of nonfarm dwellings; in 1951, they paid only 78 cents for each dollar of dwelling rents.

Table 6.—Nonfarm Nonresidential Rents and Royalties, 1929-51

(Values in billions of dollars)

	Rents paid by non-farm business		Persons' rents and royalties			
	Total	To persons	Total receipts	Expenses	Net income	
					Amount	Percent of total receipts
1929	4.05	2.53	2.92	1.02	1.30	0.44
1930	4.20	2.33	2.55	1.35	1.20	.47
1931	3.78	1.91	2.00	1.10	.89	.42
1932	3.18	1.65	1.77	1.10	.66	.37
1933	2.74	1.45	1.62	1.14	.48	.30
1934	2.88	1.73	1.98	1.46	.52	.26
1935	3.01	1.88	2.14	1.70	.45	.21
1936	3.00	1.88	2.30	1.81	.49	.16
1937	3.14	1.97	2.32	1.91	.41	.18
1938	3.18	1.91	2.29	1.74	.55	.24
1939	3.30	2.12	2.48	1.87	.60	.25
1940	3.36	2.18	2.55	1.86	.69	.27
1941	3.51	2.32	2.72	2.00	.71	.26
1942	3.02	2.45	2.85	1.98	.88	.31
1943	3.78	2.52	2.93	2.00	.93	.28
1944	3.79	2.39	2.74	1.83	.91	.33
1945	4.00	2.51	2.84	1.84	1.00	.35
1946	4.38	2.98	3.38	1.97	1.41	.42
1947	5.18	3.42	3.60	2.24	1.36	.44
1948	5.73	3.74	4.43	2.48	1.95	.45
1949	5.69	3.85	4.50	2.46	2.04	.47
1950	6.50	4.25	5.05	2.86	2.20	.43
1951	7.10	4.48	5.50	3.10	2.24	.40

Source: U. S. Department of Commerce, Office of Business Economics.

These comparisons apply to aggregate rent payments; they do not apply to average rental rates. There is considerable reason to believe that rates on commercial and industrial space have risen further above the 1929 average than have rates on rental housing, particularly since the latter have been subject to controls during the past decade while the former have not. It appears, rather, that the same sort of shift from rental tenancy to owner-occupancy which was noted for housing and for farms may have occurred also, and with greater effect, in the case of business.

Tenant industries

More than four-fifths of all nonfarm business rents are paid by enterprises in trade, service, and manufacturing. The

percentage distribution in recent years is estimated to have been as follows:

	1940	1946	1950
	(Percent)		
Retail trade.....	44	39	38
Services.....	21	21	20
Manufacturing.....	11	18	15
Wholesale trade.....	8	9	11
Other industries.....	16	13	16

The major changes in this distribution over the past decade have been in manufacturing and in trade. The great wartime expansion in manufacturing activity was largely in the production of defense and other nonconsumer goods, and was therefore not reflected proportionately in retail trade. In addition, the labor shortage and the draft brought a decrease between 1940 and 1945 in the number of small retail enterprises such as are likely to rent their premises. Since the war, the number of retailers has declined further relative to the number of firms in industry generally, and the average size of retail enterprises as measured by sales has shown a large increase.

Personal landlords

It is estimated that nearly two-thirds of all business rents are paid to persons (including proprietors of unincorporated businesses other than real estate enterprises). The fraction was somewhat lower in 1929-38, when it ranged from one-

half in 1932 to about three-fifths later in the decade. Fluctuations have probably been due in part to actual transfers of rental property between the business and personal sectors, and in part to the marginal rentability of many of the personal holdings.

Persons' total receipts shown in table 6 include royalties as well as rents. The royalty component represents gross income from patents, copyrights, and mineral and other lands leased on a royalty basis. Like the rent component, it is calculated indirectly and is subject to a considerable margin of error.

Personal net rent and royalty income after expenses seems to have increased sharply after the war, passing its pre-depression level for the first time in 1946. Between 1946 and 1950 the rate of rise gradually tapered off; tentative estimates for 1951 and 1952, however, indicate a continued expansion.

In the depression of the 1930's, persons' net nondwelling rents declined more than two-thirds. Subsequent recovery was delayed and limited by rising cost prices; at the end of the prewar period, such property was yielding in aggregate little more than half the net return it had produced in 1929. After substantial gains in 1942, persons' net nondwelling rents rose only moderately during the war. Their postwar advance, however, had carried them 80 percent above 1929 by the end of the period covered in table 6. In general, these fluctuations have been similar to those in persons' net income from rental housing.

Producers' Equipment—Growth, Replacement, and Stock

(Continued from page 16)

figures indicate that stocks were in the neighborhood of five-tenths of total output in 1941. In 1952 this ratio was about six-tenths. A shift in the same direction is indicated in the ratio of net stocks to output.

In the proper interpretation of these shifts, allowance should be made for the degree to which the stock of equipment was utilized in the 2 years. Unfortunately, there is little quantitative evidence bearing on this point. It seems apparent that productive capacity was not fully utilized in 1941. In 1952 the economy operated at levels much closer to capacity as far as the utilization of manpower is concerned. However, in certain segments of it a substantial part of the stock of equipment may not have been used. This was probably true of defense industries in which the post-Korean defense program provided standby capacity, but may have applied also in some degree to other industries.

Information on capital-output ratios prior to 1941 would further aid in the evaluation of the data that have been presented. Estimates of the stock of producers' durable equipment strictly comparable to those shown in this report are not available for years before 1941, and the data on gross product prior to 1929 are subject to considerable error. On the basis of existing evidence, however, it would appear, that the current ratio of net stocks to output is about the same as in the prosperous years of the 1920's. The net stocks to output ratio was lower before the war as a result of the relatively small equipment purchases during the thirties.

Changes in product composition

The fourth chart shows the percentage increase in the total stock of producers' durable equipment from 1941 to 1952

broken down by major types of products. The data are given both on a gross and on a net stock basis. On both bases the machinery group as a whole increased more than the total capital stock. Transportation equipment and the miscellaneous "other equipment" group, which includes furniture and fixtures, instruments, etc., increased less. Within the machinery group both agricultural machinery and tractors and nonagricultural machinery shared in the disproportionate rise. The relatively small increase of the transportation group was due entirely to transportation equipment other than motor vehicles. Motor vehicles showed a larger than average rise.

Transportation equipment, other than motor vehicles, consists mostly of railroad equipment and ships. Substantial amounts of new railroad equipment were purchased in recent years as part of the industry's modernization program. This was accompanied by heavy scrapping of old equipment. Productive capacity has undoubtedly expanded more than suggested by the stock comparisons summarized in the chart. As has been noted earlier, these comparisons cannot take full account of quality improvements. Nor can they take into account the more effective use of rolling stock in the industry.

It can be seen from the chart that for most groups net stocks have increased faster than gross stocks, indicating that the average age of the major types of capital equipment is lower currently than in 1941. The only apparent exception is the motor vehicles group where the percentage increases in net and gross stocks are about the same. Statistical estimating problems in this area are particularly difficult and this result should therefore be interpreted with caution.